

COMPTON UNIFIED SCHOOL DISTRICT

Audit Report

HABITUAL TRUANT PROGRAM

Chapter 1184, Statutes of 1975,
and Chapter 1023, Statutes of 1994

July 1, 1998, through June 30, 2001



STEVE WESTLY
California State Controller

January 2004



STEVE WESTLY
California State Controller

January 14, 2004

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Jesse L. Gonzales, Ph.D.
Superintendent
Compton Unified School District
640 South Tamarind Avenue
Compton, CA 90220

Dear Dr. Gonzales:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975, and Chapter 1023, Statutes of 1994) for the period of July 1, 1998, through June 30, 2001.

The district claimed \$686,444 (\$686,759 in costs, less a \$315 penalty for filing late) for the mandated program. Our audit disclosed that \$616,479 is allowable and \$69,965 is unallowable. The unallowable costs occurred because the district claimed ineligible costs and did not apply offsetting revenues. The district was paid \$494,023. Allowable costs claimed in excess of the amount paid total \$122,456.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:ams/jj

Attachment

cc: Teresa A. Santamaria

Associate Superintendent
Business and Administrative Services
Compton Unified School District

Joe C. Buenavista, Ed.D.

Senior Director, Pupil Services
Compton Unified School District

Darline P. Robles, Ph.D.

County Superintendent of Schools
Los Angeles County Office of Education

Scott Hannan, Director

School Fiscal Services Division
California Department of Education

Arlene Matsuura, Educational Consultant

School Fiscal Services Division
California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit
Department of Finance

Charles Pillsbury

School Apportionment Specialist
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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975, and Chapter 1023, Statutes of 1994) for the period of July 1, 1998, through June 30, 2001. The last day of fieldwork was July 8, 2003.

The district claimed \$686,444 (\$686,759 in costs, less a \$315 penalty for filing late) for the mandated program. The audit disclosed that \$616,479 is allowable and \$69,965 is unallowable. The unallowable costs occurred because the district claimed ineligible costs and did not deduct offsetting revenues. The district was paid \$494,023. Allowable costs claimed in excess of the amount paid total \$122,456.

Background

Chapter 1184, Statutes of 1975, defines "habitual truant" and states that no pupil shall be deemed a habitual truant unless school districts make a "conscientious effort" to hold at least one conference with the pupil's parent or guardian and the pupil. Chapter 1023, Statutes of 1994, requires school districts to classify a pupil as a habitual truant as defined in *Education Code* Section 48262 upon the pupil's fourth truancy within the same school year.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist school districts and local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed were increased costs incurred as a result of the legislatively mandated Habitual Truant Program (Chapter 1184, Statutes of 1975, and Chapter 1023, Statutes of 1994) for the period of July 1, 1998, through June 30, 2001.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing*

Standards, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Compton Unified School District claimed \$686,444 (\$686,759 in costs, less a \$315 penalty for filing late) and was paid \$494,023 for costs of the legislatively mandated Habitual Truant Program. The audit disclosed that \$616,479 is allowable and \$69,965 is unallowable.

For fiscal year (FY) 1998-99, the district was paid \$156,965 by the State. The audit disclosed that \$152,871 is allowable. The amount paid in excess of allowable costs claimed, totaling \$4,094, should be returned to the State.

For FY 1999-2000, the district was paid \$201,186 by the State. The audit disclosed that \$196,667 is allowable. The amount paid in excess of allowable costs claimed, totaling \$4,519, should be returned to the State.

For FY 2000-01, the district was paid \$135,872 by the State. The audit disclosed that \$266,941 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$131,069, will be paid by the State based on available appropriations.

Views of Responsible Officials

The SCO issued a draft audit report on November 12, 2003. Teresa A. Santamaria, Associate Superintendent, responded by the attached letter dated December 12, 2003, stating that the district will not contest the audit findings.

Restricted Use

This report is solely for the information and use of the Compton Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2001

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference ¹</u>
<u>July 1, 1998, through June 30, 1999</u>				
Salaries and benefits	\$ 141,477	\$ 137,680	\$ (3,797)	Finding 1
Material and supplies	4,117	4,117	—	
Contract services	—	—	—	
Total direct costs	145,594	141,797	(3,797)	
Indirect costs	11,371	11,074	(297)	Finding 1
Total costs	156,965	152,871	(4,094)	
Less late penalty	—	—	—	
Less offsetting savings/reimbursements	—	—	—	
Total net costs	<u>\$ 156,965</u>	152,871	<u>\$ (4,094)</u>	
Less amount paid by the State		(156,965)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,094)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 182,659	\$ 179,191	\$ (3,468)	Finding 1
Material and supplies	1,327	1,327	—	
Contract services	—	—	—	
Total direct costs	183,986	180,518	(3,468)	
Indirect costs	17,515	17,185	(330)	Finding 1
Total costs	201,501	197,703	(3,798)	
Less late penalty	(315)	(315)	—	
Less offsetting savings/reimbursements	—	(721)	(721)	Finding 2
Total net costs	<u>\$ 201,186</u>	196,667	<u>\$ (4,519)</u>	
Less amount paid by the State		(201,186)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,519)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 305,561	\$ 305,561	\$ —	
Material and supplies	740	740	—	
Contract services	—	—	—	
Total direct costs	306,301	306,301	—	
Indirect costs	21,992	21,992	—	
Total costs	328,293	328,293	—	
Less late penalty	—	—	—	
Less offsetting savings/reimbursements	—	(61,352)	(61,352)	Finding 2
Total net costs	<u>\$ 328,293</u>	266,941	<u>\$ (61,352)</u>	
Less amount paid by the State		(135,872)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 131,069</u>		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference</u> ¹
<u>Summary: July 1, 1998, through June 30, 2001</u>				
Salaries and benefits	\$ 629,697	\$ 622,432	\$ (7,265)	Finding 1
Material and supplies	6,184	6,184	—	
Contract services	—	—	—	
Total direct costs	635,881	628,616	(7,265)	
Indirect costs	50,878	50,251	(627)	Finding 1
Total costs	686,759	678,867	(7,892)	
Less late penalty	(315)	(315)	—	
Less offsetting savings/reimbursements	—	(62,073)	(62,073)	Finding 2
Total net costs	<u>\$ 686,444</u>	616,479	<u>\$ (69,965)</u>	
Less amount paid by the State		(494,023)		
Total allowable costs claimed in excess of (less than) amount paid		<u>\$ 122,456</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Ineligible costs claimed for independent study students

The district claimed ineligible salaries and benefits totaling \$7,265 (\$3,797 for fiscal year (FY) 1998-99 and \$3,468 for FY 1999-2000) for activities relating to independent study students. Independent study students are under an alternative study program and, therefore, cannot be considered truant. The error occurred because the district was not aware that costs for services provided to independent study students did not qualify for reimbursement under this mandated cost program. The related indirect cost for salaries and benefits was \$627.

Consequently, the salaries and benefits incurred for the following cost components are unallowable:

	Fiscal Year		Totals
	1998-99	1999-2000	
Salaries and benefits:			
Verifying prior truanancies	\$ (423)	\$ (437)	\$ (860)
Making a conscientious effort to schedule a parent conference	(1,073)	(1,513)	(2,586)
Scheduling and holding a conference	(2,301)	(1,518)	(3,819)
Reclassifying pupils	—	—	—
Totals	<u><u>\$ (3,797)</u></u>	<u><u>\$ (3,468)</u></u>	<u><u>\$ (7,265)</u></u>

Parameters and Guidelines, Section V, specifies mandated activities within the above four components that are reimbursable. In addition, Section VI B1 states that the claimant should “Identify the employee(s) and the corresponding job classification(s), describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each mandated habitual truancy function may be claimed if supported by a documented time study.”

California Code of Regulations, Title 5, Section 11700(a), states that “independent study” means an alternative to classroom instruction consistent with the district’s course study. Consequently, independent study students cannot be considered truant.

Recommendation

The district should develop and implement an adequate recording and reporting system to ensure that all claimed costs are eligible and properly supported.

District’s Response

The district representative stated that the district will not contest this finding.

**FINDING 2—
Unreported
offsetting revenue**

The district did not offset claimed costs by state funds (voluntary desegregation and economic impact aid) received and expended for the Habitual Truant Program. As a result, the district understated the amount of offsetting revenue in its claims by \$62,073 (\$721 in FY 1999-2000 and \$61,352 in FY 2000-2001).

The auditor reviewed the district's Payroll Report (Report PP6600), the Employees Information Reports, and the Personnel Assignment Request Forms (Form 106) to identify the funding sources for each of the employees charged to the mandated cost program. The review revealed the district had claimed salaries and benefits for the following cost components that had been funded with state funds, resulting in an understatement of offsetting revenues:

	Fiscal Year		
	1999-2000	2000-01	Totals
Salaries and benefits:			
Verifying prior trancies	\$ —	\$ —	\$ —
Making a conscientious effort to schedule a parent conference	(721)	(1,685)	(2,406)
Scheduling and holding a conference	—	(59,667)	(59,667)
Reclassifying pupils	—	—	—
Totals (understated offsetting revenues)	<u>\$ (721)</u>	<u>\$(61,352)</u>	<u>\$(62,073)</u>

The Associate Superintendent of Business and Administrative Services stated that the error was due to an oversight.

Parameters and Guidelines, Section VII, states, "Any offsetting savings the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any sources, including, but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim."

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that all offsetting savings and other reimbursements are properly reported.

District's Response

The district representative stated that the district will not contest this finding.

**Attachment—
District's Response to
Draft Audit Report**



Compton Unified School District
604 South Tamarind Avenue
Compton, CA 90220
(310) 639-4321 Extension 55031
Fax (310) 763-0105

December 12, 2003

Jim L. Spano, Chief
Compliance Audit Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

RE: RESPONSE TO DRAFT AUDIT REPORT
(Habitual Truancy Mandate FY 1999-2001)

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Compton Unified School District (District) relating to the mandate Habitual Truancy Program (NOT) for the period of July 1, 1999 through June 30, 2001.

The district claimed \$686,444 for the mandate program. The audit disclosed that \$616,479 is allowable and \$69,965 is unallowable. The SCO stated in the report that the unallowable costs occurred primarily because the district claimed ineligible costs relating to independent studies, and did not apply offsetting revenues from the voluntary desegregation and economic impact aid received and expended for the Habitual Truancy Program.

The district will not contest the audit findings identified in this draft audit report.

We appreciate your giving us the opportunity to respond to this draft audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Santamaria", is written over a horizontal line.

Teresa A. Santamaria
Associate Superintendent
Business and Administrative Services

c: Art Luna, SCO
Sunny Okeke
John Conshafter, MCS Education Services

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>